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ALBERTA
MORTGAGE
AND HOUSING
CORPORATION

1985-1986 ANNUAL REPORT

Alberta
AMHC Mortgage and Housing Corporation

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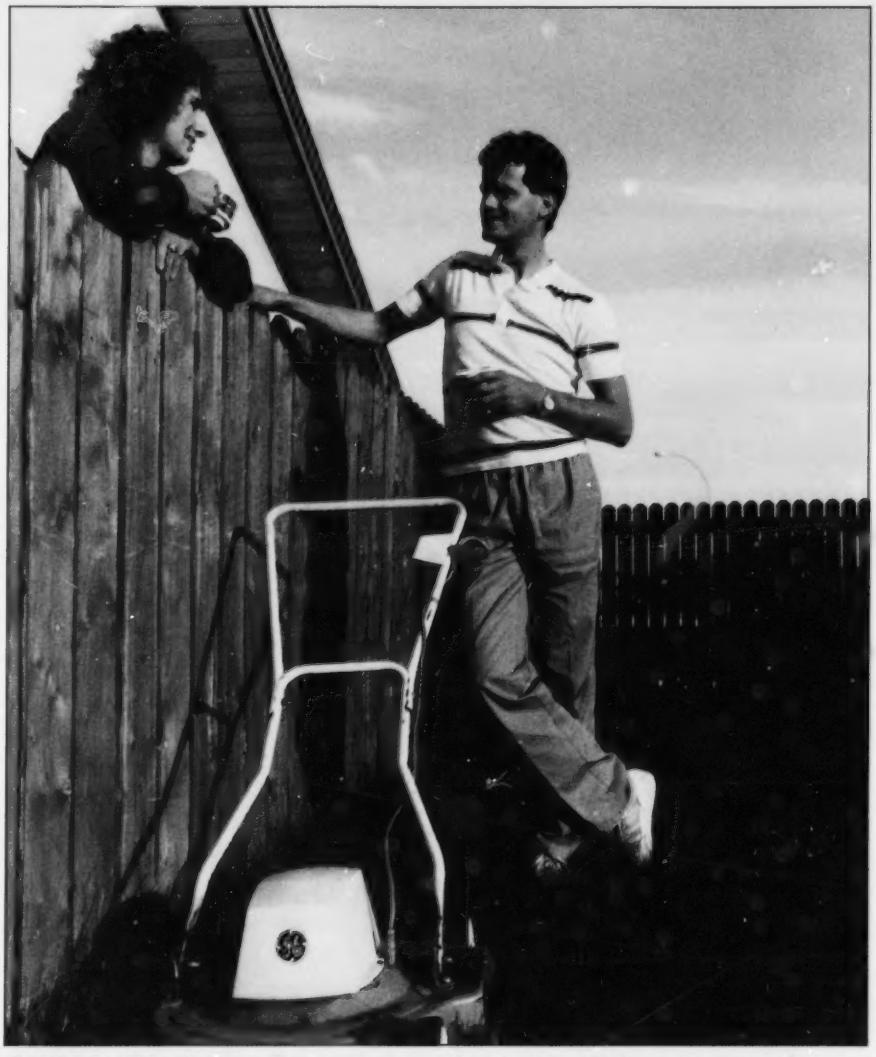
Cover Photo: Gerald and Annie Oberg live in an apartment in Big Knife Villa, located in the Village of Forestburg. Big Knife Villa combines seniors' lodge and self-contained apartment units with a drop-in centre, making it the first project of its kind in rural Alberta.

AMHC provided funding for land and construction of the lodge and self-contained units through debentures from the Heritage Savings Trust Fund. Operating deficits for the self-contained units are assumed by AMHC, and for the lodge beds, by the Flagstaff Foundation, participating municipalities and AMHC. Canada Mortgage and Housing Corporation shares in the amortization of the capital costs of both the lodge and self-contained units. Under the new Global Agreement, CMHC may cost-share up to 70 per cent of the full operating costs of self-contained projects built within approved prices. Under special circumstances, CMHC may also contribute to the amortization of the capital costs of lodges.



AMHC offers homes for rent at market rates. Corporate-owned properties designated for rent are directly managed through the real estate rental departments in all branch offices in Alberta.

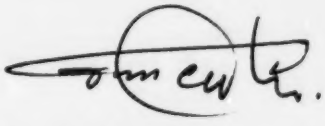
LETTERS OF TRANSMITTAL

To The Honourable Neil Crawford
Chairman, Board of Directors
Alberta Mortgage and Housing Corporation

Sir:

I have the honour to submit the annual report of the Alberta Mortgage and Housing Corporation.

Yours truly,



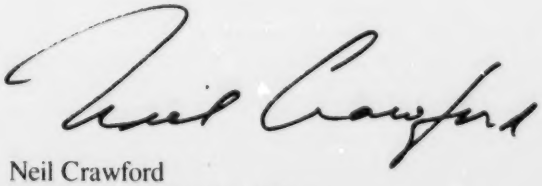
Joseph M. Engelman
President,
Alberta Mortgage and Housing Corporation

The Honourable Helen Hunley
Lieutenant-Governor
Province of Alberta

Your Honour:

I have the honour to present, for the information of Your Honour and of the Legislative Assembly of Alberta, the annual report of the Alberta Mortgage and Housing Corporation, covering the period from April 1, 1985 to March 31, 1986.

Respectfully submitted,



Neil Crawford
Minister of Municipal Affairs
Chairman,
Alberta Mortgage and Housing Corporation

MESSAGE FROM THE CHAIRMAN

I am pleased to present the 1985-86 annual report of the Alberta Mortgage and Housing Corporation (AMHC). A change in the corporation's reporting relationship in May 1986 - from the Housing Department to the Municipal Affairs Ministry - was part of an initiative by our Premier to achieve greater efficiencies through the consolidation of a number of government departments.

The Honourable Neil Crawford
Minister of Municipal Affairs
Chairman, Alberta Mortgage and
Housing Corporation

The principles underlying the co-operative relationship between the Governments of Canada and Alberta in the area of social housing were affirmed in December 1985 with the signing of the Global Agreement. The new agreement allows for greater flexibility in responding to the particular social housing needs of each province, and involves the senior citizens' self-contained, lodge, community housing, private non-profit, transitional, rural and native and rent supplement programs. The inclusion of private non-profit special needs projects for delivery by Alberta Mortgage and Housing Corporation means that groups representing the disabled, victims of home violence or other special groups will be approaching the corporation for housing assistance rather than Canada Mortgage and Housing Corporation as they did in the past.

During the past year, AMHC also received agreement in principle from Canada Mortgage and Housing Corporation to cost-share 698 otherwise unused social housing units in its 1985 budget allocation. This was made possible through the transfer of single-family units acquired through the lending program to the administration of local housing authorities. The significance of this transfer is that Alberta can make 698 more housing units available to families throughout the province, who, because of income or affordability, cannot find suitable accommodation in the private sector.

On March 6, 1986 the corporation received the approval of the Lieutenant Governor-in-Council to amend its lending regulations. These regulation changes clarify the intent of the original regulations, and give AMHC the flexibility to do workouts and adjust payment schedules on loans to enable borrowers to meet their mortgage obligations. While these changes apply to all borrowers, they were particularly necessary in the development of renegotiation options for Core Housing Incentive Program (CHIP) and Modest Apartment Program (MAP) mortgagors experiencing difficulties in meeting their mortgage payments.

A review of the lodge program, with assistance from the Alberta Senior Citizens' Homes Association, will give a better understanding of the clients we should be serving through the existing, or a modified version of, the lodge program. We will be able to develop and refine housing policies to meet the needs of these senior citizens.

In reviewing the financial statements of this report, it is clear that one of our greatest unreported assets is the volunteer contribution of our sponsor groups, municipal foundations and housing authorities which oversee the day-to-day operations of self-contained apartments, lodges and community housing projects. On behalf of the Alberta Government, I would like to thank all our volunteer board members for their contribution over the past year. Their efforts have ensured an appreciation of local and tenant concerns.

MESSAGE FROM THE PRESIDENT

The diverse activities of Alberta Mortgage and Housing Corporation during the 1985/86 operating year reflect the continuing commitment of the Alberta Government to meeting the housing needs of Albertans. The regionalized structure of the corporation enabled us to provide more efficient services to the communities, mortgagors, lenders, volunteer management agencies, municipalities, renters and developers, which make up our key client groups.

During the past year, AMHC approved a total of 656 homeownership loans under the Alberta Family Home Purchase and Rural and Native programs, representing a commitment of about $30 million. The corporation insured a total of 1,610 mobile home loans, provided to Albertans by private sector lenders under the Mobile Home Loan Insurance program for a total of $655,000 in premium revenue. Financing for 60 units of rental housing was provided under the Modest Apartment program in rural areas of the province where conventional financing is difficult to obtain. In seniors' housing, 186 units in the form of 16 projects were committed under the senior citizens' self-contained program and two projects, representing 85 lodge beds, were approved under the senior citizens' lodge program. In addition to the transfer of 698 owned properties to the administration of local housing authorities under the community housing program, five new community housing projects totalling 50 units were committed. In 1985, AMHC also contributed $4.4 million to municipal foundations through the Lodge Assistance Program to subsidize deficits incurred in the operation of seniors' lodges.

Over the past year, many communities watched the development of housing projects that will enrich the quality of life of their citizens - such as the 27-unit self-contained Pioneer Villa Court in Brooks which completes the last stage of a four-part seniors' project. In the maturing city of Fort McMurray, planning was underway for a second seniors' self-contained project to meet the increased demand placed on the Araubaska House project managed by the Fort McMurray Legion. In keeping with the corporation's policy of enabling seniors to remain in their own community through the construction of local projects, citizens of Derwent saw the completion of a four unit self-contained project. Two innovative combinations of lodge and self-contained housing were developed in Peace River and Forestburg. A retrofit in Edwards Place seniors' project will provide much-needed accommodation for disabled people in Calgary. The project will contain eight two-bedroom and four one-bedroom units designed to accommodate disabled individuals. The Blackfoot senior citizens' project, tendered in March, 1986, is the second of a two-part pilot project involving the provincial government in housing on Indian reserves.

As of March 31, 1986, AMHC had, since its inception, issued a total of $4.4 billion in debenture borrowings through the Heritage Savings Trust Fund and has repaid the fund a total of $1.0 billion in principal, and has also made interest payments of $2.4 billion for a total repayment of about $3.4 billion.

Joseph M. Engelman
President, Alberta Mortgage and Housing Corporation

Although AMHC experienced losses on its mortgage loan portfolio in the past year, the relative market stability in 1985/86 saw the arrears in AMHC's homeownership portfolio - targeted to low and modest-income Albertans -
Continued on next page.

decrease from 4,115 in March, 1985 to 2,996 in March, 1986. The total number of owned properties held by the corporation at year end was 4,555 homeownership units, 23 multiple unit projects, four Residential Land Development projects and one mobile home (acquired through the Mobile Home Loan Insurance Program), representing an approximate value of $202.3 million.

In assessing the value of its mortgage portfolio in relation to the general decline in property values, AMHC has provided for $398 million in possible losses, in accordance with generally accepted accounting principles. This represents an increase of $38 million over last year's provisions. Of this amount, $116 million relates to property on which the corporation holds title, while the other $282 million relates to a reserve for possible losses on foreclosures which may occur in the future. In addition, the corporation has increased its provisions for possible losses on land by $81 million (to an accumulated total of $100 million), in recognition of the decline in land values.

AMHC's policy continued to focus on holding and renting most of its foreclosed properties so they can be sold when the market strengthens. In this way the corporation can contain its direct losses and minimize the impact on the residential real estate market. As a result of this policy, the corporation may not incur the total amount of losses provided for in the reserve provisions.

As in the past, our employees played a major role in ensuring the successful delivery of our housing programs. I would like to take this opportunity to thank all our staff for the part they played in serving Albertans over the last year.

Ted Cuthbert is an inspector in AMHC's inspection and property repair department. AMHC inspectors conduct initial and monthly security checks on corporate-owned properties. In addition, they regularly inspect any repair or maintenance work being conducted within the properties.

1985/86 PROGRAM ACTIVITY

PROGRAM	UNITS	AMOUNT OF LOANS ($000)
ALBERTA FAMILY HOME PURCHASE PROGRAM		
- new construction	23	1,255
- existing	551	23,674
RURAL AND NATIVE HOUSING PROGRAM	82	5,119
TOTAL	**656**	**30,048**
MODEST APARTMENT PROGRAM	60	1,480
TOTAL	**60**	**1,480**
MOBILE HOME LOAN INSURANCE PROGRAM	1,610	33,029
TOTAL	**1,610**	**33,029**

SENIOR CITIZENS' SELF-CONTAINED PROGRAM

PLANNING	UNITS
Calgary-Southwood	46
Drumheller 2	20
Hanna 3	10
Standard	4
Westlock 3	20
TOTAL	**100**

IN PROGRESS	UNITS
Andrew	8
Athabasca 3	12
Camrose 3	65
Claresholm 2	8
Forestburg	10
Fort McMurray 2	12
Legal	4
Mundare 2	6
New Sarepta	4
Wandering River	4
Raymond 2	14
TOTAL	**147**

COMPLETED	UNITS
Beaverlodge 4	9
Black Diamond 3	20
Brooks 4	27
Calmar 2	16
Cardston 2	18
Castor 2	12
Consort 1	5
Derwent	4
Drayton Valley 2	17
Edmonton-Highlands	67
Evansburg	8
Girouxville 2	4
High Prairie 2	12
Lac La Biche 2	18
Lougheed 2	6
Mallaig	4
Medicine Hat 5	30
Peace River 2	43
Red Deer 5 (including 8 units cottage type)	68
Trochu 3	8
Wildwood 2	4
TOTAL	**400**

Senior citizens' self-contained apartments are located throughout Alberta and range in size from highrises to fourplexes. Most projects have common social areas where seniors can meet with friends or just relax.

1985/86 PROGRAM ACTIVITY (continued)

COMMUNITY HOUSING PROGRAM

PLANNING	UNITS
Bonnyville 4	8
Fort McMurray 10	10
Lethbridge 14	12
Swan Hills	8
TOTAL	**38**

IN PROGRESS	UNITS
High Level 3	12
Pincher Creek 2	4
TOTAL	**16**

COMPLETED	UNITS
Claresholm 3	2
Fort McMurray 5	1
Fort McMurray 6, 7, 8	3
Fort McMurray 9	1
Fort McMurray 10	1
Lac La Biche 4	8
Milk River 2	3
Pincher Creek 1	4
TOTAL	**23**

SENIOR CITIZENS' LODGE PROGRAM

PLANNING	UNITS
Camrose	65
TOTAL	**65**

IN PROGRESS	UNITS
Elk Point	43
Forestburg	20
TOTAL	**63**

COMPLETED	BEDS
Lacombe Add.	44
Leduc Add.	20
Peace River	40
TOTAL	**104**

SENIOR CITIZENS' HOUSING ON RESERVES

PLANNING	UNITS	IN PROGRESS	UNITS	COMPLETED	UNITS
Blackfoot	36			Kehewin	14
TOTAL	**36**	**TOTAL**	**0**	**TOTAL**	**14**

STAFF HOUSING PROGRAM

PLANNING	UNITS	IN PROGRESS	UNITS	COMPLETED	UNITS
		Alder Flats	1	Cold Lake	1
TOTAL	**0**	Blackfoot	1	Kananaskis	3
		TOTAL	**2**	Red Earth	1
				TOTAL	**5**

TRANSITIONAL HOUSING PROGRAM

PLANNING	UNITS	IN PROGRESS	UNITS	COMPLETED	UNITS
Grande Centre	5	High Level	2	Fort McMurray	3
Hinton	1	Slave Lake	4	High Prairie	5
Peace River	5	**TOTAL**	**6**	Hinton	1
TOTAL	**11**			Lac La Biche	8
				Lac La Biche	2
				TOTAL	**19**

INNOVATIVE HOUSING

PLANNING	UNITS	IN PROGRESS	UNITS	COMPLETED	UNITS
				Edmonton - Operation Friendship	40
TOTAL	**0**	**TOTAL**	**0**	**TOTAL**	**40**

Definitions

Planning - Project approved and on support list, but construction tender has not been awarded.

In Progress - Tender for construction of project has been awarded.

Completed - Project is complete and handed over to the management agency.

FINANCIAL STATEMENTS

Auditor's Report

To the Board of Directors of the
Alberta Mortgage and Housing Corporation

I have examined the balance sheets of the Corporate Account and the Mortgage Insurance Fund of the Alberta Mortgage and Housing Corporation as at March 31, 1986 and the related statements of revenue, expenditure and deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations and changes in its financial position for the year then ended in accordance with the disclosed basis of accounting, considered appropriate in the circumstances, as described in Note 2 to the financial statements of the Corporate Account and the Mortgage Insurance Fund applied, except for the change in the accounting for the value of investments in land banking and inventory as described in Note 3 to the financial statements of the Corporate Account, on a basis consistent with that of the preceding year.

Donald D. Salmon

C.A.
Auditor General

Edmonton, Alberta
July 30, 1986

Balance Sheet
As at March 31, 1986
(thousands of dollars)

	1986	1985
Assets		
Cash and deposits (Note 4)	$ 214	$ 28,671
Due from Mortgage Insurance Fund Account	221,697	84,922
Accounts receivable	9,760	9,627
Agreements receivable (Note 5):		
Province of Alberta	4,731	4,850
Other	9,398	9,868
Investments (Schedule 1) (Note 6)	3,808,608	4,069,272
	$4,054,408	**$4,207,210**
Liabilities		
Accounts payable	$ 11,844	$ 8,208
Holdbacks payable	1,121	2,051
Accrued interest payable	201,473	213,124
Short-term notes payable (Note 7)	36,878	90,547
Due to the Province of Alberta	35,570	27,377
Property tax deposits on mortgages	27,978	29,144
Advance from the Province of Alberta (Note 8)	290,833	311,500
Long-term debt (Schedule 2)	3,532,211	3,527,759
	4,137,908	4,209,710
Deficit (Note 11)	(83,500)	(2,500)
	$4,054,408	**$4,207,210**

The accompanying notes are part of these financial statements.

Statement of Revenue, Expenditure and Deficit
For the Year Ended March 31, 1986
(thousands of dollars)

	1986	1985
Revenue		
Interest income:		
Mortgages (Note 9)	$275,696	$295,074
Bank and other	2,697	2,912
Rentals	12,481	13,182
Sales:		
Lots	11,525	6,142
Housing units	1,194	2,929
Other revenue	1,123	600
	304,716	**320,839**
Expenditure		
Interest expense	461,698	504,805
Provision for decline in value of land (Note 10)	81,000	2,500
Deficit transferred from the Mortgage Insurance Fund	49,179	-
Administration expenses (Schedule 3)	26,793	26,616
Cost of sales:		
Lots	8,394	5,954
Housing units	1,666	2,558
Amortization of investments	7,556	8,390
Grants and subsidies	5,859	1,590
Building maintenance and expenses	5,266	6,970
Valuation provisions	808	36
Development costs (recovered) written off on abandoned projects	(127)	156
	648,092	**559,575**
Less: Recoveries		
- Canada Mortgage and Housing Corporation	45,894	39,185
- Municipalities	3,464	2,890
- Interest allocation to projects under construction	1,978	6,031
- Other	4,259	2,164
	55,595	**50,270**
	592,497	**509,305**
Excess of expenditure over revenue for the year	287,781	188,466
Contribution by the Province of Alberta	206,781	185,966
Deficit for the year	81,000	2,500
Deficit at beginning of the year	2,500	-
Deficit at end of the year (Note 11)	**$ 83,500**	**$ 2,500**

Statement of Changes in Financial Position
For the Year Ended March 31, 1986
(thousands of dollars)

	1986	1985
Operating transactions:		
Excess of expenditure over revenue	$(287,781)	$(188,466)
Non-cash items:		
Cost of sales:		
Lots	8,394	5,954
Housing units	1,666	2,558
Provision for decline in value of land	81,000	2,500
Amortization of investments	7,556	8,390
Amortization of short-term notes	11,832	6,528
	(177,333)	(162,536)
Operating advances received from the Province of Alberta	242,351	343,106
Repayment of operating advances	(27,377)	-
Increase in amount due from the Mortgage Insurance Fund	(136,775)	(151,223)
Decrease in other liabilities	(10,111)	(15,258)
Decrease in other assets	456	562
Cash (applied to) provided by operating transactions	**(108,789)**	**14,651**
Investing transactions:		
Net decrease in mortgages and loans receivable	189,217	72,510
Investment in land and housing programs	(27,169)	(34,422)
Cash provided by investing transactions	**162,048**	**38,088**
Financing transactions:		
Grid note issued	59,100	50,450
Repayment of grid note	(57,400)	(50,450)
Mortgages assumed	337	-
Debentures issued - Province of Alberta	185,000	100,000
Repayment of advance to the Province of Alberta	(20,667)	(6,500)
Short-term notes issued	597,755	136,054
Repayment of short-term notes	(664,956)	(95,000)
Repayment of long-term debt	(180,885)	(182,687)
Cash applied to financing transactions	**(81,716)**	**(48,133)**
Net (decrease) increase in cash	(28,457)	4,606
Cash at beginning of the year	28,671	24,065
Cash at end of the year	**$ 214**	**$ 28,671**

Notes to the Financial Statements
March 31, 1986

Note 1 Authority

The Alberta Mortgage and Housing Corporation came into existence on August 1, 1984 as a result of the amalgamation of the Alberta Housing Corporation and the Alberta Home Mortgage Corporation, pursuant to the Alberta Mortgage and Housing Corporation Act, Chapter A-32.5, Statutes of Alberta 1984 ('the Act').

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements have been prepared in accordance with generally accepted accounting principles except for those noted under (a) fixed assets, under (b) valuation of investments - notes (i) and (ii) and under (c) revenue recognition.

(a) Fixed assets

Purchases of fixed assets used for administration purposes are charged to operations in the year of purchase and on disposal the proceeds are recorded as revenue.

(b) Valuation of investments

(i) Land programs

Land is stated at cost less an allowance for decline in value of an enduring nature.

(ii) Housing programs

Investment in housing programs is stated at amortized cost. Amortizaton is equal to the redemption of the long-term debt used for financing the programs as opposed to depreciation.

(iii) Mortgages and loans receivable

No provision is made in the Corporate Account for loss on loans due to default by borrowers since the loss is provided for in the Mortgage Insurance Fund or the loans are guaranteed by the Federal Government.

(c) Revenue recognition

(i) Land programs

Revenue from the sale of lots is normally recorded when the required deposit is received and all other material conditions have been met. The cost of investment is reduced by the selling price and a gain or loss on a project is not recognized until all lots within that project are sold. As a result the cost of lot sales in the statement of revenue and expenditure will represent sales proceeds until all lots within the project are sold.

(ii) Housing programs

Revenue from the sale of surplus housing units is recognized only when the sales proceeds have been received in full.

(d) Consolidation

The financial statements of the Mortgage Insurance Fund have not been consolidated with these financial statements as it would not result in more informative presentation.

(e) Interest income and expense

Interest income and expense are accounted for on the accrual basis. Interest income on mortgages is recorded net of the subsidies provided by the Corporation. Subsidies take the form of lower interest rates based on one or more factors, such as the borrower's income, timing, prevailing economic conditions or the nature of the lending program.

(f) Management agencies

A substantial number of properties owned by the Corporation are managed by non-profit organizations, acting as agents of the Corporation. In these cases, the operating deficits and the operating surpluses of the properties are aggregated and recorded net by the Corporation on the statement of revenue and expenditure rather than the gross revenue and expenditure attributed to the properties.

(g) Recoveries

Contributions from Canada Mortgage and Housing Corporation and municipalities in accordance with housing program cost sharing agreements are reported in aggregate, as a deduction from expenditure, on the statement of revenue and expenditure.

(h) Capitalization of expenses

Interest costs, relating to the financing of projects under construction, are capitalized and form part of the cost of the investment in those projects.

Overhead expenses and local improvement taxes, relating to projects under construction

Note 2 Significant Accounting Policies and Reporting Practices (continued)

and land held under the land programs, are capitalized and form part of the cost of the investments.

(i) Deficit

Provision for decline in value of the assets of the Corporation, set up in the Corporate Account and excluded from the operating deficit of the Corporation by the Provincial Treasurer pursuant to section 14 of the Act, is recorded and retained as deficit of the Corporate Account.

Note 3 Change in Accounting Policy

During the year the Corporation changed its accounting policy from not providing for declines in value of an enduring nature in the investments in land banking and inventory, to providing for such losses. This change in accounting policy, which has been applied prospectively, results in an increase in the deficit of the Corporate Account for 1986 of $81,000,000 with a corresponding reduction in the value of investments.

Note 4 Cash and Deposits

Cash and deposits consist of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta, petty cash funds and cash in transit at March 31, 1986.

Note 5 Agreements Receivable

(a) Province of Alberta

This amount is equal to, and is receivable under the same terms as, the debentures issued by the Corporation to finance the building of students' residences in the Province.

(b) Other

This amount consists of receivables from municipalities resulting under agreements for the sale or development of land, and also receivables from Native Bands in respect to rural mobile home purchase agreements.

Note 6 Investments

(a) Land programs

(i) Land banking and inventory

This represents the costs of land, with an allowance for decline in the value of an enduring nature, acquired for future development and sale by the Corporation and also the cost of land acquired on behalf of municipalities under land banking agreements.

(ii) Land held for sale

This represents land at cost with an allowance for decline in value of an enduring nature, currently held for sale.

(b) Housing programs

The amortized cost of land, buildings, furniture, fixtures and equipment acquired and utilized in the delivery of housing programs, is shown in total under this heading.

(c) Mortgages and loans receivable

This represents balances outstanding in respect of the amounts advanced under the lending programs inclusive of accrued interest.

Note 7 Short-Term Notes Payable

Short-term notes payable are held by the Alberta Provincial Corporation Loan Fund and mature within one year.

Note 8 Advance from the Province of Alberta

In March 1984 the Corporation received an interest free advance in the amount of $318,000,000, which is repayable on demand, from the General Revenue Fund of the Province of Alberta of which $278,880,000 was used to redeem long-term debt. The amount outstanding at March 31, 1986 is $290,833,000 (1985 $311,500,000).

Note 9 Mortgage Subsidies

The mortgage interest income figure is shown net of the following mortgage subsidies:

	Interest Renegotiation Subsidies	Interest Rate Subsidies	Direct Subsidies	Total Subsidies 1986	Total Subsidies 1985
			(thousands of dollars)		
	(a)	(b)	(c)		
Home-ownership programs	$ 20,964	$ 12,307	$ 11,844	$ 45,115	$ 55,932
Rental programs	7,754	59,775	10,452	77,981	79,924
Land programs	-	145	8	153	121
	$ 28,718	$ 72,227	$ 22,304	$ 123,249	$ 135,977

(a) Interest Renegotiation Subsidies

Interest renegotiation subsidies arise from the Corporation's offers, made in previous years, to write-down the interest rate on its mortgage portfolio to 12.5% from the rate specified in the mortgage document. In part, this indirect subsidy resulted in a decrease in direct subsidies.

(b) Interest Rate Subsidies

The Corporation normally provides mortgage financing at or near prevailing mortgage interest rates, however, during certain periods of time and under certain lending programs, mortgages have been provided at lower rates. The calculation of interest rate subsidies is based on the difference between the prevailing interest rate (the lowest five years National Housing Act rate available from five specified chartered banks) at the date the mortgage is issued and the reduced rate stipulated in the mortgage agreement applied to the monthly balance. In part, this indirect subsidy resulted in a decrease in direct subsidies.

(c) Direct Subsidies

The Corporation also subsidizes mortgages by providing mortgage payment reductions based on the income level of the mortgagor. The calculation of the mortgage payment subsidies is based on the amounts stipulated in the mortgage reduction agreements.

(d) Subsequent Event

Effective May 1, 1986 the Corporation offered subsidies to the mortgagors financed under the Core Housing Incentive Program and the Modest Apartment Program. The subsidies will effectively reduce the interest rate to 6% per annum. For units not subject to rent controls the amount of the subsidy will be reduced by any positive cash flow generated in respect to those units. For the mortgagors who accept the offer and receive the subsidy, rent controls will be extended subject to certain limitations.

Note 10 Provision for Decline in Value of Land

To recognize a decline of an enduring nature in the value of land, the Corporation recorded a provision of $81,000,000 (1985 $2,500,000). The cumulative allowance at March 31, 1986 is $100,000,000 (1985 $19,000,000).

Note 11 Deficit at End of the Year

Pursuant to section 14 of the Act, the operating deficit of the Corporation is paid out of monies voted by the Alberta Legislature. Effective June 5, 1985, as a result of an amendment to the Act, the Provincial Treasurer may exclude from the operating deficit all or any part of an expenditure in respect to a provision for a decline in the value of assets of the Corporation. This has resulted in the Corporation retaining a deficit of $83,500,000 (1985 $2,500,000) in the Corporate Account at March 31, 1986.

Note 12 Commitments and Contractual Obligations

The Corporation has commitments totalling $11,195,000 (1985 $34,682,000) with respect to unadvanced amounts on approved mortgages and loans, as well as contractual obligations with respect to investment in projects in the amount of $10,830,000 (1985 $15,948,000).

Note 13 Contingent Liabilities

The Corporation is involved in a number of legal proceedings. Claims against the Corporation in these proceedings, which have not been reflected in the financial statements, amount to $5,780,000 (1985 $5,090,000). While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of management that the disposition of these cases will not have a materially adverse effect on the financial position of the Corporation.

Note 14 Comparative Figures

The 1985 figures have been reclassified where necessary to conform to 1986 presentation.

Note 15 Approval of Financial Statements

These financial statements have been prepared and approved by management.

Schedule of Investments
As at March 31, 1986

(thousands of dollars)

Schedule 1

	1986	1985
Land Programs		
Land banking and inventory	$ 193,822	$ 187,339
Land held for sale	111,766	123,184
	305,588	310,523
Less: Allowance for decline in value of land	100,000	19,000
	205,588	**291,523**
Housing Programs		
Senior citizens' self-contained	597,729	581,237
Community housing	291,526	290,589
Senior citizens' lodges	123,257	119,069
Industrial and mobile home parks	52,784	52,557
Provincial staff housing	23,792	23,988
Other	22,497	22,101
	1,111,585	1,089,541
Less: Amortization	49,840	42,284
	1,061,745	**1,047,257**
Mortgages and Loans Receivable		
Home-ownership	1,180,293	1,368,519
Rental	1,248,211	1,253,632
Land	112,771	108,341
	2,541,275	**2,730,492**
	$3,808,608	**$4,069,272**

Schedule of Long-Term Debt
As at March 31, 1986

(thousands of dollars)

Schedule 2

Particulars	Year of Maturity	Weighted Average Interest Rate	Principal Outstanding	
		%	1986	1985
Debentures payable				
- Province of Alberta (1)	1986	18.30	$ -	$ 15,232
	1988	13.19	48,303	43,916
	1989	12.94	99,986	119,685
	1990	12.05	275,539	285,745
	1991	16.19	110,725	83,457
	1992	15.85	34,441	70,178
	1993	16.37	109,701	156,350
	1994	16.71	77,515	123,680
	1995	16.51	41,505	43,072
	1997	14.57	63,958	66,035
	2001	14.93	428,766	434,981
	2002	14.46	312,984	317,356
	2003	12.54	308,980	313,771
	2004	14.01	78,712	79,599
	2005	10.13	80,000	-
	2006	10.12	361,568	290,537
	2007	11.96	168,194	169,975
	2008	10.82	109,640	110,810
	2009	10.52	33,406	33,726
	2010	12.77	88,455	68,826
	2011	15.94	158,638	149,037
	2012	15.18	138,799	139,220
	2013	12.53	237,611	238,622
	2015	12.51	19,930	20,000
			3,387,356	**3,373,810**
- Canada Mortgage and Housing Corporation (2)	1986	7.88	-	64
	1990	8.63	18	22
	1998	5.81	1,965	2,066
	2000	8.00	395	410
	2001	8.00	365	377
	2022	7.85	2,636	2,649
	2023	7.53	8,219	8,279
	2024	7.88	2,768	2,780
	2025	8.03	4,854	4,872
	2026	8.01	15,576	15,629
	2027	9.47	22,043	22,089
	2028	9.97	25,979	26,020
	2029	9.58	21,093	21,127
	2030	9.54	4,632	4,639
			110,543	**111,023**

Schedule of Long-Term Debt
As at March 31, 1986

(thousands of dollars)

Schedule 2 (continued)

Particulars	Year of Maturity	Weighted Average Interest Rate	Principal Outstanding	
		%	1986	1985
- Other (1)	1988	11.17	30,381	38,498
Mortgages and Agreements for sale (3)				
- Province of Alberta Various			3,153	3,679
- Other Various			778	749
			3,931	4,428
			$3,532,211	$3,527,759

Notes:

1. Debentures with the Province of Alberta represent the investment of the Alberta Heritage Savings Trust Fund. Debentures with the Province of Alberta and other are at various interest rates ranging from 9.10% to 18.09% and are repayable by annual or semi-annual equal installments comprising principal and interest. However, interest rates are redetermined every five years on debentures having an aggregate principal balance outstanding of $2,576,565 (1985 $2,693,988) and annually on debentures having an aggregate principal balance outstanding of $130,000 (1985 Nil).
2. Debentures with Canada Mortgage and Housing Corporation are at various interest rates ranging from 5.75% to 10.0% and are repayable by annual or semi-annual equal installments comprising principal and interest.
3. Mortgages and agreements for sale are at various interest rates and are repayable by equal monthly or annual installments comprising principal and interest. Mortgages are secured against certain investments.
4. Approximate aggregate principal repayments due in each of the next five years are:

	1986	1985
1985/86	-	138,695
1986/87	162,420	158,340
1987/88	172,375	171,179
1988/89	188,451	195,162
1989/90	179,527	187,104
1990/91	160,995	-

5. The repayment of principal and interest of any borrowings of the Corporation is guaranteed by the Province of Alberta.

Schedule of Administration Expenses
For the Year Ended March 31, 1986

(thousands of dollars)

Schedule 3

	1986	1985
Manpower	$17,838	$18,840
Services	4,153	4,196
Purchase of fixed assets	2,026	712
Travel and communications	1,592	1,786
Materials and supplies	762	603
Staff recruitment, relocation and training	279	285
Staff housing subsidy	72	120
Directors' fees	16	20
Miscellaneous	55	54
	$26,793	$26,616

Balance Sheet
As at March 31, 1986
(thousands of dollars)

	1986	1985
Assets		
Cash and deposits (Note 3)	$ 1,958	$ 2,812
Accounts receivable	898	-
Accrued interest receivable	1,647	1,194
Real estate (Note 4)	202,323	109,331
Investments (Note 5)	60,437	53,224
	$267,263	**$166,561**
Liabilities		
Accounts payable	$ 900	$ 304
Due to Corporate Account	221,697	84,922
Allowance for loss on claims	282,296	310,000
Unearned premium	10,555	12,496
	515,448	407,722
Deficit (Note 6)	(248,185)	(241,161)
	$267,263	**$166,561**

The accompanying notes are part of these financial statements.

Statement of Revenue, Expenditure and Deficit
For the Year Ended March 31, 1986
(thousands of dollars)

	1986	1985
Revenue		
Investment income	$ 6,324	$ 6,107
Premiums earned	3,207	4,471
Rental income	8,319	2,158
Gain (loss) on sale of bonds	(7)	16
Recoveries in respect of writs receivable	245	1
	18,088	**12,753**
Expenditure		
Interest to Corporate Account	32,651	10,972
Real estate expenses	15,635	6,128
Mobile Home Loan Insurance program losses	188	-
Loss on sale of real estate	6,631	2,070
Provision for decline in value of real estate	46,890	51,744
Provision (reversal of provision) for loss on claims	(27,704)	183,000
	74,291	**253,914**
Excess of expenditure over revenue	56,203	241,161
Deficit transferred to the Corporate Account	49,179	-
	7,024	241,161
Deficit at beginning of the year	241,161	-
Deficit at end of the year (Note 6)	**$248,185**	**$241,161**

Statement of Changes in Financial Position
For the Year Ended March 31, 1986
(thousands of dollars)

	1986	1985
Operating transactions:		
Excess of expenditure over revenue	$ (56,203)	$(241,161)
Non-cash items:		
Amortization of discount on investments	(2,742)	(2,201)
Amortization of mortgage insurance premiums	(3,207)	(4,471)
Loss on sale of real estate	6,631	2,070
Provision (reversal of provision) for loss on claims	(27,704)	183,000
Provision for decline in value of real estate (including writs receivable)	46,890	51,744
	(36,335)	(11,019)
Increase in mortgage insurance premiums	1,266	1,783
Deficit transferred to the Corporate Account	49,179	-
Increase in other assets	(1,351)	(191)
Increase in amount due to the Corporate Account	136,775	151,223
Increase in other liabilities	596	304
Cash provided by operating transactions	**150,130**	**142,100**
Investing transactions:		
Real estate acquired upon foreclosure (including writs receivable) at total claim amount	(161,342)	(148,505)
Purchase of investments	(41,316)	(31,101)
Sale and maturity of investments	36,844	22,614
Sale of real estate	14,830	9,452
Cash applied to investing transactions	**(150,984)**	**(147,540)**
Decrease in cash	(854)	(5,440)
Cash at beginning of the year	2,812	8,252
Cash at end of the year	**$ 1,958**	**$ 2,812**

Notes to the Financial Statements
March 31, 1986

Note 1 Authority

The Mortgage Insurance Fund has been established by the powers conferred on the Corporation under section 11 of the Alberta Mortgage and Housing Corporation Act ('the Act').

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements have been prepared in accordance with generally accepted accounting principles.

(a) Allowance for loss on claims

This allowance represents estimated losses on claims in process and claims anticipated on mortgage loans held by the Corporate Account with repayments in arrears by more than 30 days in the case of home-ownership loans and 90 days in the case of other loans at the balance sheet date.

For the purposes of determining the allowance, loss on a claim is regarded as the difference between the balance outstanding on the loan, including accrued interest up to the date of foreclosure, and the net realizable value of the mortgaged property.

(b) Premiums

Premiums are charged on all loans issued by the Corporation and Mobile Home Loans issued by approved financial institutions under the Mobile Home Loan Insurance program.

The premiums received are recorded as deferred revenue, and are taken into income using risk factors established by the Federal Department of Insurance.

(c) Real estate

Real estate consists of properties acquired on settlement of claims and held for sale or rental, and is valued at the lower of cost and net realizable value. Cost comprises the unpaid loan balance, including accrued interest since the last interest compounding date, and holding costs up to the date of possession.

Net realizable value is the market value as appraised by the Corporation less estimated selling expenses. The appraisal is subject to annual review.

No provision is made for the depreciation of buildings.

(d) Investments

Investments are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight line method over the life of the investment.

(e) Administration expenses

Expenses incurred in administering the Fund are borne by the Corporate Account and hence are not reflected in the Fund's statement of revenue and expenditure.

(f) Deficit

The deficit of the Fund is transferred to the Corporate Account except for amounts representing provisions for decline in value of assets of the Corporation recorded in the Fund and excluded from the operating deficit by the Provincial Treasurer pursuant to section 14 of the Act. The amount so excluded, from the operating deficit, is recorded and retained as deficit of the Fund.

Note 3 Cash and Deposits

Cash and deposits consist of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta.

Note 4 Real Estate

Real estate is summarized as follows:

	1986			1985
	Real Estate at cost	Allowance for Revaluation	Net	Net
	(thousands of dollars)			
Designated for rental	$254,475	$ 95,591	$158,884	$ 96,592
Designated for sale	64,180	20,741	43,439	12,739
Writs receivable	21,111	21,111		-
	$339,766	**$137,443**	**$202,323**	**$109,331**
1985 totals	**$169,304**	**$ 59,973**		

The allowance for revaluation represents the excess of cost over market value. However, it is the general policy of the Corporation not to sell real estate acquired upon settlement of claims for an amount less than the original loan amount.

Note 5 Investments

Investments are summarized as follows:

	1986 Par Value	1986 Cost	1985 Cost
		(thousands of dollars)	
Treasury bills and coupon notes	$36,369	$32,652	$30,818
Bonds and debentures:			
Government of Canada	23,900	24,291	13,454
Provincial issues, direct and guaranteed	3,500	3,494	6,471
Other	-	-	2,481
	$63,769	**$60,437**	$53,224
1985 Par value	**$55,654**		

Approximate market value is $61,126,000 (1985 $52,096,000)

Note 6 Deficit at End of the Year

Pursuant to section 14 of the Act, the Provincial Treasurer has excluded a provision for decline in the market value of assets from the operating deficit of the Corporation.

Note 7 Insurance in Force

The total amount of loans insured at March 31, 1986 was $2,447,691,000 (1985 $2,602,341,000).

Note 8 Comparative Figures

The 1985 figures have been reclassified where necessary to conform to 1986 presentation.

Note 9 Approval of Financial Statements

These financial statements have been prepared and approved by management.

AMHC BOARD OF DIRECTORS
April 1, 1985 to March 31, 1986

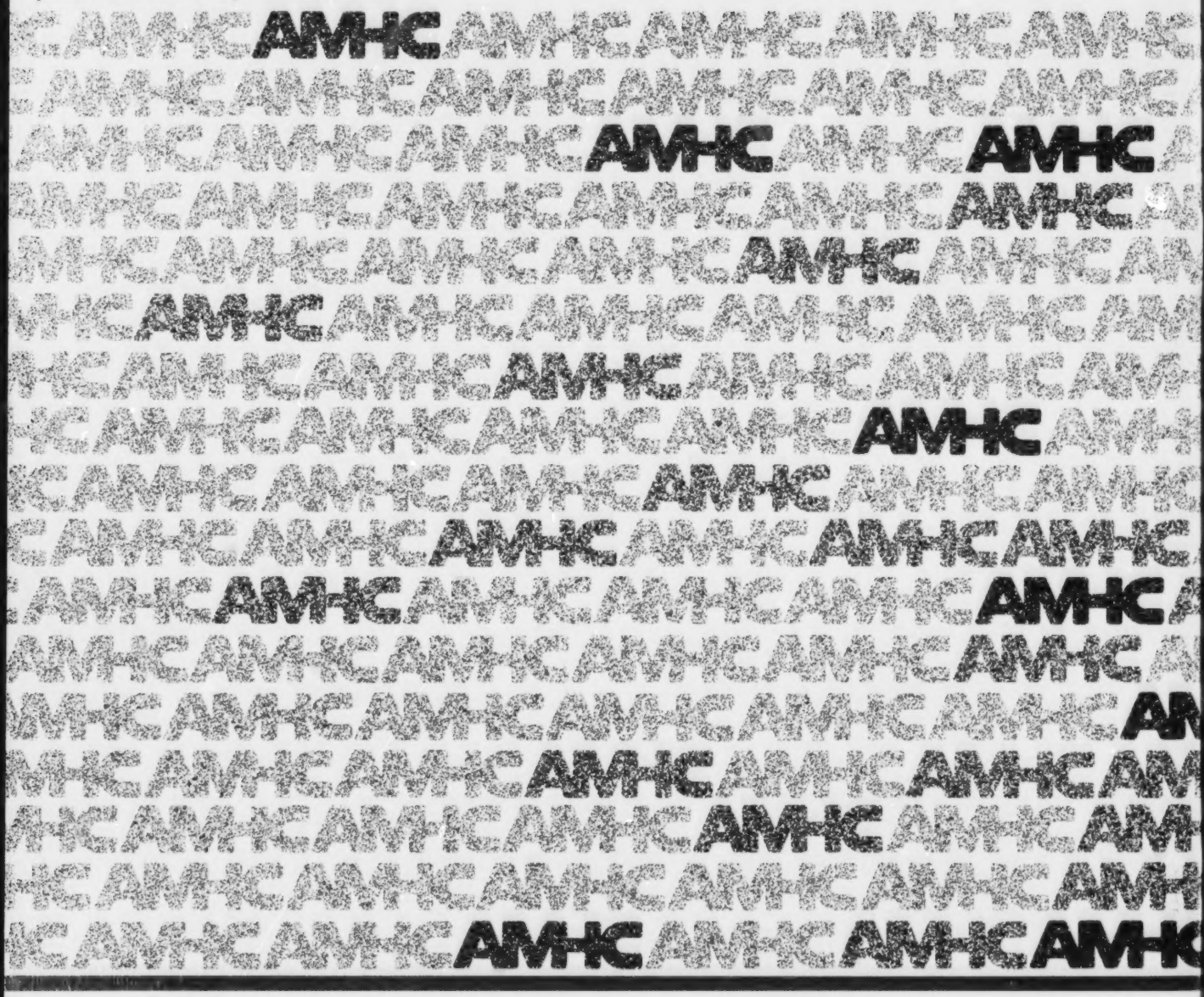
Honourable Larry R. Shaben	Minister of Housing, Chairman of the Board
Mr. Joseph M. Engelman	President, AMHC
Mr. Murray D. Rasmusson	Deputy Minister of Housing
Mr. A.F. (Chip) Collins	Advisor to the Provincial Treasurer (appointed by Ministerial Order as representative of the Provincial Treasurer)

Mrs. Joyce Campbell	Calgary
Ms. Mary J. Cameron	Edmonton
Mr. Raymond I.C. Dunham	Red Deer
Mr. Dennis G. Flanagan	Calgary
Mr. Bohdan Germaniuk	Okotoks
Mr. Frank Lovsin	Peace River
Mr. Edwin A. Oman, M.L.A.	Calgary
Mr. Robert Thompson	Lethbridge

OFFICE LOCATIONS

HEAD OFFICE	9405 - 50 Street, Edmonton T6B 2T4, Phone: 468-3535
Calgary	2924 - 11 Street N.E. T2E 8C4, Phone: 250-4600
Edmonton	100, 8657 - 51 Avenue T6E 6A8, Phone: 468-0700
Fort McMurray	194 Grenfell Crescent T9H 2M6, Phone: 743-2673
Grande Prairie	9909 - 102 Street T8V 2V4, Phone: 539-4801
Lethbridge	220 - 4 Street South T1J 4J7, Phone: 329-8722
Medicine Hat	101, 266 - 4 Street S.W. T1A 4E5, Phone: 529-5285
Red Deer	5913 Gaetz Avenue T4N 4C4, Phone: 343-7788
St. Paul	5238 - 50 Avenue, Box 3189 T0A 3A0, Phone: 645-5600

Alberta Mortgage and Housing Corporation is a provincial Crown corporation which reports to the Legislative Assembly through the Minister of Municipal Affairs. AMHC develops, assists in financing and manages land and housing programs for low and middle income Albertans, and provides loan insurance for mobile homes.



Heritage Fund